

City of Cincinnati

Recommended 2005/2006 Biennial Budget



City Council
Finance Committee Briefing

November 15 , 2004

Budget Themes

- **Basic Core Services** - the City's financial condition requires that limited resources be directed to basic core services.
- **Budget Sustainability** - City General Fund expenditures are growing faster than revenues, bold action is required to eliminate this structural imbalance.
- **Policy Budget** - City Council policy directives are substantially addressed.

Accomplishments

- **Neighborhood Investment**

Housing projects initiated (e.g., Villages of Daybreak in Bond Hill, Westwood CiTiRAMA).

Business district improvements (e.g., Six Neighborhood Streetscapes completed).

100 lane miles of City streets annually rehabilitated citywide.

- **Downtown Initiatives**

Cultural attractions opened (e.g., National Underground Freedom Center).

Market rate housing projects completed/begun (e.g., Power Building, Park Place).

Office and Parking projects (e.g., Queen City Sq., Vine and Central Pkwy Garage).

Accountability

- Business Plans for City departments developed.
- Executive Performance Contracts for department heads developed.
- Regular reporting to City Council on the 2003/2004 Action Items.
- Customer Response System implemented to coordinate and track service requests across City departments.

Basic Core Services

Limited resources are focused on basic core services...

- Funding is provided for two police recruit classes in 2005 - increasing total police officers to 1,075 by the end of 2005.
- All 40 fire companies within the City's 26 firehouses are funded, though the Fire Department will be challenged to contain overtime expenditures if current year sick leave and comptime leave usage continues into 2005.
- All of the City's Health Clinics are funded.
- Weekly solid waste collection and disposal is funded; however, curbside recycling service is reduced to twice monthly.

Basic Core Services - Continued

- All Park facilities will remain open.
- The new Mt. Washington Recreation Center funded in 2005; some low use facilities are phased out.
- Greenspace maintenance funded at 72% of the 2004 level and the Weed and Litter Program fully funded in 2005.
- Maintain regular hours at the Permit and Development Center.
- Maintain the City's commitment of \$5 million for 20 years to the Cincinnati Public Schools for facility improvements. In addition, provides for School Nurses, Crossing Guards, and School Resource Officers.
- Continued funding for rehabilitation of 200 lane miles of street throughout the City during the biennium.

2005/2006 Budget Policies

The June 30, 2004 2005/2006 Policy Budget Included 20 policy directives. Highlights include:

- *Keep Council's commitment to complete the increase of 75 police officers to the complement.*

Two recruit classes in both 2005 and 2006 and an increase of 15.0 FTE in authorized police officers from 1,060 to 1,075. Barring any unusual attrition patterns, the Police Department will reach the 1,075 officer level in late 2005.

2005/2006 Budget Policies...cont.

- *Protect basic services from any service cuts, defined as safety, fire, garbage collection, road repair and pavement, maintenance of green spaces, health care centers, and recycling.*

Basic services are funded by adding police officers, maintaining fire staffing levels, continuing service levels for garbage collection and health clinics.

100 lane miles of city streets rehabilitated annually.

Greenspace maintenance and curbside recycling are provided but at reduced service levels due to limited resources.

2005/2006 Budget Policies...cont.

- *Balance the budget by cutting waste, improving efficiency, cutting services not normally provided by cities, and if necessary, reducing middle and upper management.*

The City's support agency reductions range from 8.6% to 15.5% from the 2004 approved funding level. These reductions will have an impact on support services.

The Finance, Law, and Human Resources Departments receive budget reductions of 9.0%, 8.6%, and 9.8%, respectively. The City Manager, the Mayor, and City Council budgets each decrease by 15.5%.

The City will rely more on community expertise to provide services, enabling City staff to focus on performance, accountability, and regulatory functions.

Economic Sustainability - Structural Imbalance

Multi-year Forecast as of June 2004:

- 2005 - 2008 Revenue average growth of 3.0%
- 2005 - 2008 Expenditure average growth of 3.2%
- Results in an accumulated deficit of \$71 million by 2008

(\$ in Thousands)	2003 Actual	2004 Estimate	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
Resources						
Operating Revenues	\$313,669	\$312,654	\$320,756	\$329,811	\$338,867	\$349,208
Transfers-in	5,963	1,000	3,059	-	-	-
Total Resources	<u>\$319,632</u>	<u>\$313,654</u>	<u>\$323,815</u>	<u>\$329,811</u>	<u>\$338,867</u>	<u>\$349,208</u>
Expenditures						
Operating Expenditures	\$314,692	\$330,113	\$340,334	\$352,085	\$363,428	\$373,219
Transfers-out	156	485	145	145	145	145
Total Expenditures	<u>\$314,848</u>	<u>\$330,598</u>	<u>\$340,479</u>	<u>\$352,230</u>	<u>\$363,573</u>	<u>\$373,364</u>
Expenditure Savings	-	(3,251)	(3,353)	(3,474)	(3,593)	(3,696)
Yearly Balance	<u>\$4,784</u>	<u>(\$13,693)</u>	<u>(\$13,311)</u>	<u>(\$18,945)</u>	<u>(\$21,113)</u>	<u>(\$20,460)</u>
Prior Year Cancelled Encumbrances	1,496	-	-	-	-	-
Previous Year Carryover Balance	10,220	16,500	2,807	(10,504)	(29,449)	(50,562)
Non-GAAP Carryover Balance	\$16,500	\$2,807	(\$10,504)	(\$29,449)	(\$50,562)	(\$71,022)

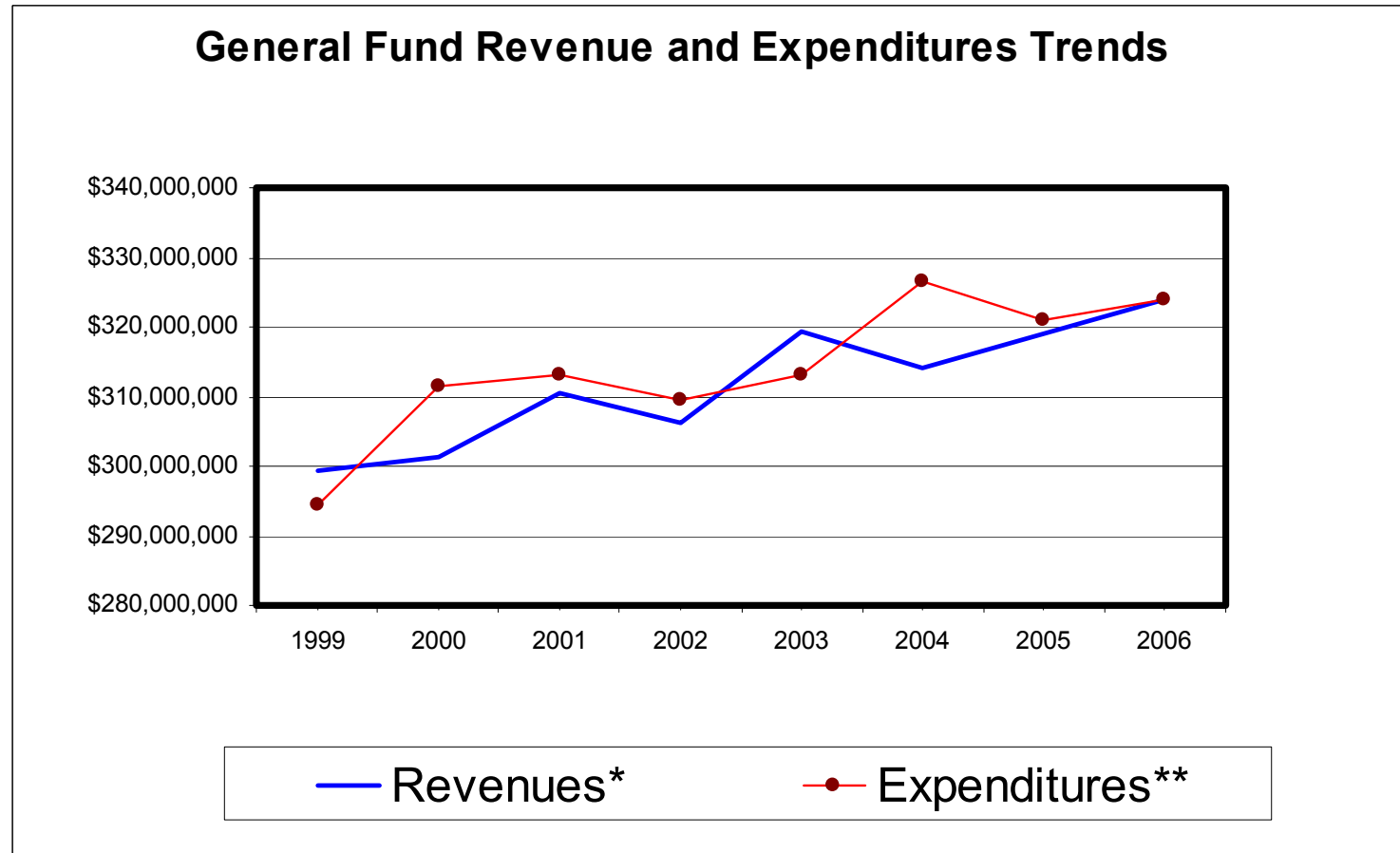
Economic Sustainability...cont.

Multi-year Forecast as of November 2004:

- 2005 Expenditure Reductions of \$16.2 million and 2006 Expenditure Reductions of \$5.2 million are recommended to eliminate the structural imbalance.
- 2005 - 2008 Revenue average growth 2.8%
- 2005 - 2008 Expenditure average growth of 2.2%

(\$ in Thousands)	2003 Actual	2004 Estimate	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast
Resources						
Operating Revenues	\$313,669	\$313,580	\$316,005	\$323,777	\$332,667	\$342,819
Transfers-in	5,963	1,000	3,059	-	-	-
Total Resources	<u>\$319,632</u>	<u>\$314,580</u>	<u>\$319,064</u>	<u>\$323,777</u>	<u>\$332,667</u>	<u>\$342,819</u>
Expenditures						
Operating Expenditures	\$314,692	\$330,844	\$340,334	\$332,168	\$336,805	\$346,054
Transfers-out	156	485	145	-	-	-
Permanent expenditure and transfer reductions in 2005			16,169	16,492	16,987	17,497
Permanent expenditure and transfer reductions in 2006				5,173	5,328	5,488
Permanent expenditure and transfer reductions in 2007					830	855
Total Expenditures	<u>\$314,848</u>	<u>\$331,329</u>	<u>324,310</u>	<u>326,995</u>	<u>335,975</u>	<u>346,054</u>
Expenditure Savings	-	(2,304)	(3,191)	(3,218)	(3,308)	(3,409)
Yearly Balance	<u><u>\$4,784</u></u>	<u><u>(\$14,445)</u></u>	<u><u>(\$2,055)</u></u>	<u><u>(\$0)</u></u>	<u><u>\$0</u></u>	<u><u>\$174</u></u>
Prior Year Cancelled Encumbrances	1,496	2,000	-	-	-	-
Previous Year Carryover Balance	10,220	16,500	4,055	2,000	2,000	2,000
Non-GAAP Carryover Balance	<u>\$16,500</u>	<u>\$4,055</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,174</u>

Structural Imbalance Is Eliminated



NOTES:

* Includes Net Transfers In

** Includes Net Transfers Out, Cancelled Encumbrances, Expenditure Savings

Trends are based on actual resources and expenditures for 1999-2003 and estimates for 2004-2006.

Budget Reductions

- The budget reflects an all funds reduction of a net 161.1 FTE positions for 2005 and a net 17.0 FTE positions in 2006, including a number of management positions. Of these positions, 76 are currently filled.
- Salary increases are limited to 2% in each year of the biennium for represented employees (except CODE). Professional, technical, and managerial employees (including CODE) are budgeted for no general salary increase (0%) increase in 2005. Increases of 3% for all staff were reflected in the June 2004 forecast.
- Human Services Policy funding is eliminated for a savings of \$4.8 million.

Budget Reductions...cont.

- City costs for employee healthcare assume all City employees transition to the “80/20 Plan.” Under the 80/20 Plan, the aggregate employee’s share of the total cost of healthcare increases from approximately 14% to 25% depending on the healthcare usage of the employee. The total cost of care for employee healthcare is anticipated to increase 16% in 2005.
- Contributions to 12 Outside Agencies is reduced or eliminated.
- No General Fund transfers.

Recommended 2005/2006 All Funds Budget

(\$ in Millions)	2004 Approved Budget	2005 Recommended Budget Update	\$ Change	% Change	2006 Recommended Budget Update	\$ Change	% Change
Operating Budget							
General Fund	\$330.1	\$324.3	(\$5.8)	-1.8%	\$327.0	\$2.7	0.8%
Restricted Funds	<u>\$460.4</u>	<u>\$443.3</u>	<u>(\$17.1)</u>	<u>-3.7%</u>	<u>\$426.6</u>	<u>(\$16.7)</u>	<u>-3.8%</u>
Subtotal Operating Budget	\$790.5	\$767.6	(\$22.9)	-2.9%	\$753.6	(\$14.0)	-1.8%
Capital Budget							
General Capital Budget	\$79.3	\$64.4	(\$14.9)	-18.8%	\$63.9	(\$0.5)	-0.8%
Restricted Funds Capital	\$160.7	\$114.2	(\$46.5)	-28.9%	\$143.4	\$29.2	25.6%
Special Revenue/Matching Capital	<u>\$18.9</u>	<u>\$14.9</u>	<u>(\$4.0)</u>	<u>-21.2%</u>	<u>\$18.2</u>	<u>\$3.3</u>	<u>22.1%</u>
Subtotal Capital Budget	\$258.9	\$193.5	(\$65.4)	-25.3%	\$225.5	\$32.0	16.5%
Consolidated Plan Budget	\$26.1	\$24.5	(\$1.6)	-6.1%	\$24.9	\$0.4	1.6%
Total Budget	<u>\$1,075.5</u>	<u>\$985.6</u>	<u>(\$89.9)</u>	<u>-8.4%</u>	<u>\$1,004.0</u>	<u>\$18.4</u>	<u>1.9%</u>

Unless noted, all comparisons are from the 2004 Approved Budget

- The Recommended 2005 All Funds Budget is \$89.9 million, or 8.4%, less than the 2004 Approved All Funds Budget

Recommended 2005/2006 All Funds Budget

Recommended reductions are broad-based and affect every department and fund type.

\$ 5.8 million: General Fund decrease

\$17.1 million: Restricted Fund decrease

\$65.4 million: Capital Budget decrease

\$ 1.6 million: Consolidated Plan Budget decrease

\$89.9 million: Total All Funds Budget decrease from the 2004 Approved Budget

General Fund Major Budget Changes - (\$5.8 Million, or 1.8%, decrease)

Major Decreases

\$4.8 million: Decrease in Human Services Policy funding

\$1.6 million: Decrease in Police and Fire for the elimination of the Cadet Programs

\$1.5 million: Decrease in staff agencies (Finance, Human Resources, Law, and City Manager's Office)

\$1.4 million: Decrease in outside agency contracts

\$1.1 million: Decrease in Public Services (primarily OTR Enhanced Cleaning, reduced curbside recycling)

\$0.2 million: Net decreases in other departmental and non-departmental budgets

\$10.6 million: Total Major Decreases

Major Increases

\$2.5 million: Increase cost for employee health care

\$2.3 million: Net increase in Police and Fire departments

\$4.8 million: Total Major Increases

Net Decrease

\$5.8 million

Restricted Funds Major Budget Changes - (\$17.1 Million, or 3.7%, decrease)

Major Decreases

- \$11.7 million: Decrease in debt service requirements in the Bond Retirement Fund
- \$ 4.0 million: Decrease due to the transfer of Workforce Investment Act functions to the County
- \$ 2.6 million: Decrease in Greater Cincinnati Water Works due reductions based on declining revenues
- \$ 1.2 million: Decrease in Home Health Services Fund based on revised federal Medicare reimbursements
- \$ 1.0 million: Decrease in Convention Center operating costs during renovation and construction
- \$ 3.5 million: Net Decrease in other restricted funds
- \$24.0 million: Total Major Decreases

Major Increases

- \$6.9 million: Increase in Sewer Department primarily for Global Consent Decree

Net Decrease

\$17.1 million

Recommended 2005 Capital Budget

(\$65.4 Million, or 25.3%, decrease)

	2004	2005	\$	%	2006	%
(\$ in Millions)	Approved Budget	Recommended Budget	Change From 2004	Change From 2004	Recommended Budget	Change From 2005
General Capital	\$79.3	\$64.4	(\$14.9)	-18.8%	\$63.9	-0.8%
Restricted Funds Capital	160.7	114.2	(\$46.5)	-28.9%	143.4	25.6%
Special Revenue Capital	1.2	1.5	\$0.3	25.0%	1.2	-20.0%
Federal/State Capital Matching Funds	<u>17.7</u>	<u>13.4</u>	<u>(4.3)</u>	<u>-24.3%</u>	<u>17.0</u>	<u>26.9%</u>
Total All Funds Capital Budget	\$258.9	\$193.5	(\$65.4)	-25.3%	\$225.5	16.5%

- Recommended 2005 Capital Budget is a \$65.4 million, or 25.3%, decrease from the 2004 Approved Capital Budget.

General Capital Budget

(\$14.9 Million, or 18.8%, decrease)

\$15.0 million: Anthem resources previously allocated and no longer available

\$10.0 million: Increase in Income Tax Supported Debt

\$14.5 million: Decrease in Property Tax Supported Debt

\$ 4.9 million: Increase in Income Tax

\$ 0.3 million: Decrease in other sources

\$14.9 Million: Net decrease in the 2005 General Capital Budget Resources

General Capital Budget Highlights

- \$12.3 million in 2005 and \$12.7 million in 2006 to rehabilitate 100 lane miles each year of the biennium.

General Capital Budget...cont.

(\$14.9 Million, or 18.8%, decrease)

- \$12.5 million in 2005 and \$10.6 million for City Facility Renovations (City Facilities, Recreation Centers, Park facilities, and Health centers).
- \$6.1 million in 2005 and \$5.9 million in 2006 to replace obsolete vehicles (police cars, fire trucks, trash trucks, etc.).
- \$800,000 in 2005, and \$4.8 million in 2006 for support of the Kennedy Connector.
- \$4.9 million in 2005 and \$5.0 million in 2006 for Market Rate Housing development.
- \$3.6 million in 2005/2006 to replace the North Avondale and Pleasant Ridge firehouses.
- \$900,000 in 2005 to replace the City's burn building training facility.

General Capital Budget...cont.

(\$14.9 Million, or 18.8%, decrease)

- \$300,000 in both 2005 and 2006 (\$1.8 million from 2005-2010) for enhanced fire equipment to address the recommendations of the 2004 Line of Duty Death report.
- \$1.0 million in both 2005 and 2006 for Neighborhood Business District (NBD) Public Improvements.
- \$1.2 million in 2005 and \$1.0 million in 2006 for information technology enhancements.

Restricted Funds Capital Highlights

- \$14.5 million in 2005 and \$14.9 million in 2006 for the Eastern/Delta Sewer Separation project.
- \$7.5 million in both 2005 and 2006 for the Water-in-Basement program within the Metropolitan Sewer District.
- \$900,000 in 2005 and \$1.2 million in 2006 for the Mill Creek Barrier Dam Motor Rewind project.
- \$14.3 million in 2005 and \$14.5 million in 2006 for replacement water mains to continue the 100-year life cycle replacement schedule for water mains.
- \$9.5 million in 2005 and \$9.0 million in 2006 for the Water Meter Replacement Program.

Recommended 2005/2006 Consolidated Plan Budget

	2004	2004	2005	2006
	Approved	Reconciliation	Recommended	Recommended
<i>(\$ in Millions)</i>	Budget	Budget	Budget	Budget
CDBG	\$19.8	\$19.7	\$18.4	\$18.8
HOME	\$5.2	\$5.8	\$4.9	\$4.9
ESG	\$0.6	\$0.6	\$0.6	\$0.6
HOPWA	<u>\$0.5</u>	<u>\$0.5</u>	<u>\$0.6</u>	<u>\$0.6</u>
Total Consolidated Plan Budget	\$26.1	\$26.6	\$24.5	\$24.9

- \$2.1 million decrease in resources compared to the 2004 Approved Budget due to anticipated decreases in Community Development Block Grant resources in the amount of \$1.3 million and a decrease of \$0.9 million in HOME resources. These decreases are partially offset by a \$0.1 million increase in HOPWA resources.

Consolidated Plan Budget Highlights

- The 5-year Consolidated Plan is required by the U.S. Department of Housing and Urban Development for receipt of federal funding. The 5-year plan will be submitted to the City Council under a separate cover.
- The Recommended 2005/2006 Consolidated Plan continues the Neighborhood Revitalization Strategy Area (NRSA) approach to focus multiple resources on high impact projects in low-to-moderate income neighborhoods.
- Blueprint for Success is a new two-year pilot program designed as intensive intervention for at-risk youth and young adults (including ex-offenders) that provides vocational skills and job opportunities. Funding of \$1 million is provided in both 2005 and 2006 with CDBG and HOME resources.
- Funding in the amount of \$665,000 is provided to continue operational support of the Findlay Market based on the management agreement approved by the City Council.

Taxes & Fees

- Property Tax Millage decreases from 5.00 mills to 4.98 mills consistent with the City Council policy to rollback the millage to maintain property tax revenues at the 2001 level.
- Various fee increases within the Buildings and Inspections Department (B&I) related to permits and inspections are recommended. Many have not been increased since 1979. The estimated increases are shown in the table below.

Per Square Foot Permit Fee	\$230,870
Landlord Registration Fee	\$875,000
Re-inspection Fee	\$424,200
Other B&I Fee Increases	\$180,810

Taxes & Fees

- The budget includes implementation of photo traffic enforcement for red light violations at selected intersections. Assuming full implementation in June 2005, the estimated revenue increase for this initiative is \$502,500.
- Parking violation fines are increased in 2005 to provide an additional \$573,250 in revenue. These include the following:

The current \$14 parking violation fine is increased to \$25;

The current \$36 parking violation fine is increased to \$40; and

The current \$56 parking violation fine (handicap violations) is increased to \$250, which is the state allowed maximum.

Taxes & Fees

- The Greater Cincinnati Water Works is proposing to raise rates by 5% in 2005 and 7.5% in 2006. Revenues have been less than anticipated in recent years due to decreasing household size, the widespread use of low-flow fixtures, reduced business activity and conservation, and consecutive wet summers.
- As approved by the Hamilton County Board of Commissioners in January 2004, the Metropolitan Sewer District rates increase 8.6% in 2005 and an additional 7.9% increase in 2006. These increases are necessary to address the requirements of the Global Consent Decree approved by the County and City Council.

City Staffing

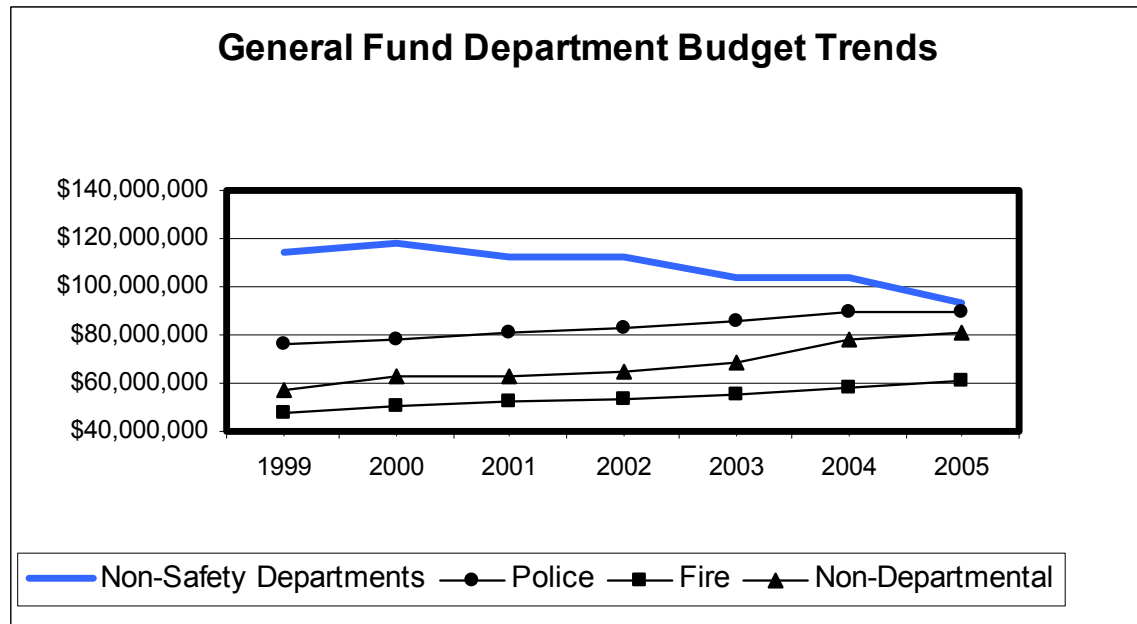
- All Funds City staffing is recommended at 6,326.8 full-time equivalent (FTE) positions, representing a net decrease of 161.1FTE from the current staffing complement in 2005 and a net decrease of 17 in 2006.

	2004	2005	Change	2006	Change
<i>(in Full Time Equivalents, FTE)</i>	Approved	Recommended	From	Recommended	From
	Budget	Budget	2004	Budget	2005
General Fund	3,814.5	3,706.1	(108.4)	3,706.1	-
Restricted Funds	<u>2,673.4</u>	<u>2,620.7</u>	<u>(52.7)</u>	<u>2,603.7</u>	<u>(17.0)</u>
Total City Staffing	6,487.9	6,326.8	(161.1)	6,309.8	(17.0)

- Since 2000, public safety FTE have increased by 75, while non-public safety FTE have decreased 537 FTE during the same period.

City Staffing...cont.

- Consistent with the decrease in non-public safety FTE and the increase in public safety FTE, since 1999 non-public safety departmental budgets have declined and police and fire budgets have increased. Non-departmental budgets have increased due to such items as pension, health care, and the annual payment to the Cincinnati Public Schools.



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